

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 /078 W

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P R 102315Z DEC 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 8798

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY CARACAS

AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: CS, VE, ENRG, EFIN

SUBJECT: COSTA RICAN STATEMENTS ON VENEZUELAN

PETROLEUMMHUND

1. COSTA RICAN PRESIDENT DANIEL ODUBER IN A PRESS CONFERENCE CARRIED ON NATIONAL TELEVISION DECEMBER 9 ANNOUNCED DETAILS OF A PLAN SAID TO HAVE BEEN PROPOSED BY THE VENEZUELAN GOVERNMENT TO AID CENTRAL AMERICAN COUNTRIES SUFFEREING FROM HIGH OIL PRICES. INFORMATION ON THE VENEZUELAN SCHEME HAS ALOS BEEN RELEASED BY FONMIN FACIO AND BY OTHER MEMBERS OF THE COSTA RICAN DELEGATION THAT VISITED CARACAS LAST WEEK TO PREPARE FOR THE DECEMBER 13 MEETING OF CHIEFS OF STATE. THE EMBASSY ASSUMES THAT SIMILAR INFORMATION IS BEING RELEASED IN ORHER CENTRAL AMERICAN CAPITALS AND IN LIMITED OFFICIAL USE

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CARACAS BUT OFFERS A SUMMARY OF THE MAIN LINES OF

THE PROPOSAL AS DESCRIBED HERE IN CASE SOME OF THE DETAILS DIFFER FROM OTHER ACCOUNTS.

2. ACCORDING TO PRESIDENT ODUBER, VENEZUELA WILL HENCEFORTH ALLOW COSTA RICA TO PAY FOR ITS OIL IMPORTS IN DOLLARS AT 1972 PRICES (ABOUT \$4.00 HE SAID) WHILE DEPOSITING INTO A SPEICAL ACCOUNT IN THE COSTA RICAN CENTRAL BANK COLONES EQUAL TO THE DIFFERENCE BETWEEN THE 1972 PRICE AND THE CURRENT MARKET PRICE. (FACIO SAID THAT HALF OF THE TOTAL PRICE WOULD BE PAID IN DOLLARS AND HALF DEPOSITED HERE IN COLONES). THE DEPOSIT ACCOUNT WOULD BE CONTROLLED JOINTLY BY VENEZUELA AND COSTA RICA AND WOULD BE USED FOR DEVELOPMENT PROJECTS AND FOR DIRECT VENEZUELAN INVESTMENTS IN COSTA RICA. IT COULDS BE USED TO PAY THE LOCAL CURRENCY COUNTERPART COSTS OF PROJECTS FINANCED BY INTERNATIONAL LENDING AGENCIES SUCH AS THE IDB, IBRD, AND AID ACCORDING TO ONE REPORT.

3. THE FUNDS DEPOSITED IN COSTA RICA WOULD BE IN THE FORM OF A 20-25 YEAR LOAN FROM VENEZUELA, FACIO REPORTEDLY SAID. IF THE FUNDS ARE NOT USED FOR DEVELOPMENT DURING A FIVE YEAR PERIOD WHICH IS APPEARENTLY THE DUGHTON

OF THE VENEZUELAN AID THEN INTEREST WOULD BECOME PAYABLE ON THE DEPOSITS. VENEZUELA IS ALSO SAID TO HAVE AGREED TO PROCEED TON THE PROJECT TO CONSTRKCT AN OIL REXIYERY AND PIPELINE IN COSTA RICA TO SERVE PACIFIC MARKETS AND TO FINANCE THE CONSTRUCTION OF THE CALDERA PORT. IT IS ALSO SAID TO BE INTERESTED IN HELPING WITH AN ALUMINUM SMELTER PROJECT.

4. COMMENT. IF VENEZUELA DOES IN FACT MAKE AVAILABLE THE KIND OF AID DESRIBED IN THESE ANNOUNCEMENTS IT WOULD OBVIOUSLY BE OF GREAT SIGNIFICANCE TO THE CENTRAL AMERICAN COUNTRIES IN TERMS OF THEIR IMMEDIATE BALANCE OF PAYMENTS PROBLEMS. THE LONGER TERM EFFECTS, INVOLVING A CONTINUAL INCREASE IN UG-/4 \$3?53\$,3 , WOULD BE LESS FAVORABLE IF VENEZUELA REALLY EXPECTS REPAYMENT, UNLESS THE RECIPIENT LIMITED OFFICIAL USE

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COUNTRIES INVEST THE MONEY PRODUCTIVELY IN WAYS THAT WOULD GENERATE THE FUNDS AND FOREIGN EXCHANGE NEEDED FOR EVENTUAL REPAYMENT.
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